



FEDERAL FINANCING BANK

WASHINGTON, D.C. 20220

FEDERAL FINANCING BANK OPERATIONS

OBJECTIVE:

The objectives of the Federal Financing Bank as set forth in the 1973 Act and at the first Board of Directors meeting on May 23, 1974, are being met with the exception of certain programs that are prohibited by statute from borrowing from the FFB.

OPERATIONS:

The operations of the Federal Financing Bank, as envisioned at the first Board of Directors meeting on May 23, 1974, have changed to some extent.

Rather than using the Treasury as an interim lender and the market as a permanent source of funds, the Bank will continue its current policy of borrowing all funds from the Treasury and will match the terms and conditions of its borrowing from the Treasury with the terms and conditions of its loans.

The Bank originally lent funds at a rate three-eighths percent above the new issue curve of marketable U.S. Treasury securities. This spread enabled the Bank to lend at or below prime agency rates and was consistent with the need to accumulate reasonable contingency reserves and protect the Bank against the risks of market borrowing.

In November 1974, the Bank reduced its spread to one-fourth percent above the Treasury new issue curve. In May 1975, the Bank reduced the lending spread to one-eighth percent above the Treasury curve.

In August 1981, the Board of Directors adopted a resolution that authorized and directed the Treasurer to pay over to the General Fund of the United States Treasury the amount of cash in the treasury of the Bank in excess of the amount that is required to cover contingencies and operating expenses.

Attached are the borrowing and lending policies adopted by the Board of Directors.